

# MOODY'S INVESTORS SERVICE

## Rating Action: Moody's downgrades Wright State University, OH's General Receipts Bonds to A2; outlook stable

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16 Oct 2015

### \$73M rated debt

New York, October 16, 2015 -- Moody's Investors Service downgrades Wright State University's ("WSU") General Receipts Bonds to A2 from A1. The outlook is stable.

#### SUMMARY RATING RATIONALE

The downgrade to A2 is based on Wright State University's continuing poor financial performance leading to operating deficits and decline in liquid reserves as well as the uncertain impact of a federal investigation.

The A2 rating acknowledges the university's relatively large scale of operations, still sizeable financial reserves, moderate financial leverage, recent enrollment growth, and good revenue diversity.

The rating also reflects revenue constraints and an inflexible expense base given a highly unionized workforce, and the absence of concrete plans for materially reducing expenses. The A2 rating additionally recognizes the near term challenges of synergizing members of a new senior leadership team at a time of financial stress and distraction from the federal investigation.

#### OUTLOOK

The stable outlook at the A2 rating level is based on the university's sizeable financial reserves and cushion relative to debt and expenses that mitigate what we expect to be a small operating loss in FY 2016 while the university strengthens fiscal oversight. It also incorporates our expectation that any fine resulting from the federal investigation will be manageable.

#### WHAT COULD MAKE THE RATING GO UP

- Sustained positive operations and cash flow that provides a cushion for debt service
- Resumed growth in balance sheet reserves
- Strengthening of liquidity

#### WHAT COULD MAKE THE RATING GO DOWN

- Material diminishment of spendable cash and investments or liquidity
- Failure to improve operating performance and generate cash flow to cover debt service

#### OBLIGOR PROFILE

Wright State University is a large comprehensive regional public university with headcount enrollment of more than 17,000 students. The main campus is located 12 miles northeast of downtown Dayton, Ohio and there is a branch campus in northwest Ohio on the shores of Grand Lake St. Marys in Celina, Ohio.

#### LEGAL SECURITY

The bonds are secured by a broad pledge of the university's General Receipts, which includes all legally available revenue of the university, except money raised by taxation, state appropriations, or restricted gifts.

#### USE OF PROCEEDS

Not applicable

#### PRINCIPAL METHODOLOGY

The principal methodology used in this rating was U.S. Not-for-Profit Private and Public Higher Education published in August 2011. Please see the Credit Policy page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

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